

June 22, 1999

Prospective Offerors,

The Internal Revenue Service (IRS) is continuing its approach to an Electronic Tax Administration (ETA) partnership with industry that began on November 26, 1997, with the release of IRS' first Request for Agreements (RFA). The first and subsequent RFAs resulted in several agreements for tax filing seasons 1998 and 1999. As a result, the IRS is again offering partnerships for the year 2000 filing season. This RFA deals with a Debt Indicator Pilot for the year 2000 filing season. This pilot will provide taxpayers, through selected Electronic Return Originators (EROs), transmitters and on-line service providers, a privilege of receiving a debt indicator for taxpayers who have an agreement with a financial institution.

The IRS will respond to questions received through seven days from the date of release of the RFA. Questions should be directed to Ms. Michelle Lane via electronic mail at "michelle.lane@ccmail.irs.gov." Ms. Lane can also be reached via telephone at (202) 283-1401. The IRS must receive proposals for the 2000 filing season as set forth in section 3.0 of the RFA. The IRS anticipates issuing agreements for transmitters to provide an electronic postmark to taxpayers for the 2000 filing season prior to October 31, 1999.

Thank you for your interest and we look forward to receiving your proposals under this Request for Agreements for Electronic Tax Administration Partnership.

Sincerely,

Carol Stender-Larkin
Acting National Director,
Electronic Program Operations
ID#08-2003

Attachment

REQUEST FOR AGREEMENT
(RFA)
for the
ELECTRONIC TAX ADMINISTRATION
(ETA)
PARTNERSHIP

Solicitation #: TIRNO-99-H-00002
Title: Project 6, Debt Indicator Pilot
Issued: June 17, 1999
Proposals Due: See Section 3.0, Delivery of Proposal/Project Plan
Questions: E-mail "michelle.lane@ccmail.irs.gov" or call
(202) 283-1401

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1.0 INTRODUCTION

The Internal Revenue Service (IRS) is continuing its approach to an Electronic Tax Administration (ETA) partnership with industry that began on November 26, 1997 with the release of IRS's first Request for Agreements (RFA).¹ As a result of its success, the IRS is refining the process and expectations based on lessons learned and is offering partnerships for additional pilots for the 2000 filing seasons (tax year 1999). This is a solicitation of proposals for Non-Monetary Agreements only. No proposal for funding will be considered. In general, "Agreements" are defined as non-monetary arrangements between two parties (commercial firm, not-for-profit organization, or any federal, state or local agency and the IRS).²

1.1 Background

The IRS is the largest processor of information in the world, processing in excess of two billion transactions in 1998. These transactions include receiving and processing tax related data, including individual and business income tax returns, information returns (interest, dividend, etc.), and payments. While some of these transactions are electronic, the IRS still devotes significant resources to convert much of the information provided by its information exchange partners into an electronically processable format. There were 24.6 million individual returns filed electronically in 1998. A total of 29.6 million electronically filed individual returns are projected for 1999.

ETA represents the two-way electronic exchange of information that the IRS has with individual and business taxpayers, taxpayer representatives, tax practitioners, financial institutions and other government entities. It provides the mechanisms for taxpayers, preparers and practitioners, payers, software developers, transmitters and other information exchange partners to file returns, make payments, exchange correspondence, and retrieve forms, publications, and other information from the IRS with a minimum reliance on paper.

The mission of ETA is to revolutionize how taxpayers transact and communicate with the IRS. Strategies include:

- Making electronic filing, payment, and communication so simple, inexpensive, and trusted that taxpayers will prefer these to calling and mailing;
- Providing additional taxpayer access methods to electronic filing, payment, communication products and services;
- Aggressively protecting transaction integrity and quality;
- Substantially reducing electronic filing per return processing costs;
- Seeking the best people, ideas and partners to assure our success;
- Delivering the highest quality products and services as promised; and
- Ensuring that accepted electronic tax returns are compliant with the tax laws.

¹ Because the participation in agreements will not entail the expenditure of appropriated funds, the agreements do not meet the definition of "acquisition" in Federal Acquisition Regulation (FAR) 2.101. Therefore, the FAR does not apply to this RFA or the resulting agreements.

² However, for this RFA, the IRS will enter into Agreements only with certain authorized IRS *e-file* providers who meet certain mandatory requirements (see 1.3).

IRS faces the challenge of eliminating barriers by providing incentives and using competitive market forces to make progress towards: 1) IRS' goal to electronically transact 80% of IRS business by the year 2007; and, 2) the interim goal that, to the extent practicable, all returns prepared electronically should be filed electronically by the year 2002.

One of these incentives is to possibly reinstate an indicator that will inform the taxpayer whether their refund will be decreased or not. This indicator was previously provided as a service to EROs and transmitters for taxpayers who were obtaining Refund Anticipation Loans (RALs). The indicator was discontinued in 1995 as part of the IRS' continuing efforts to prevent and detect fraud. This indicator is being considered for implementation again with limitations and requirements.

1.2 Scope of Request for Agreement (RFA)

For purposes of this RFA, the Government will focus on electronic return originators (EROs), transmitters and on-line services filing electronic individual tax returns (1040 series). Offerors are invited to demonstrate, in their proposal, that the returns they transmit through practitioners or on-line service providers to the IRS have been screened³ for potential abuse.⁴ They should also demonstrate how the SSN's of the abusive returns would be provided to the IRS. The transmitters will have to demonstrate how they will identify the returns that have been reviewed for abuse prior to transmitting them to the IRS.

In exchange for due diligence in screening returns for possible abuse, the IRS will provide to the taxpayer through the selected EROs, transmitters and on-line services a privilege of receiving a debt indicator for taxpayers who have entered into an agreement with a financial institution. This indicator **may** show the reason that the refund changed was because of a debt owed to either the IRS or Financial Management Service (FMS) or both. The transmitter will also have to demonstrate how the indicator will only be provided to those EROs or on-line services that have had their returns screened.

1.3 Mandatory Requirements

In order to be eligible for an Agreement for the 2000 filing season, a firm (i.e., an Offeror) responding to this RFA must:

- 1. Be approved by the IRS as an ERO, on-line service provider and/or transmitter for the 2000 IRS *e-file* Program;
- 2. Have electronically transmitted at least 100 federal individual income tax returns during the 1999 filing season (tax year 1998) and have achieved a reject rate of 15% or less;
- 3. Make a positive indication in the RAL indicator field only when the taxpayer has entered into an agreement with a financial institution;
- 4. Describe how the returns, on which a debt indicator was received, will be screened for abuse prior to being transmitted to the IRS;
- 5. Describe how the debt indicator will not be provided to any EROs or on-line services whose transmitted returns were not screened for abuse; and
- 6. Agree to track and report (by SSN) to the IRS on a weekly basis, the potentially abusive federal individual income tax returns electronically filed and the reason(s) the return may be abusive.
- 7. Modify the return software to include a mandatory consent to disclose when the RAL indicator field is significant. This authorizes the Service to provide the debt indicator to EROs, transmitters

³ Detailed information as to what the screens will consist of should be provided to allow for a determination of the adequacy of the screens. The screens should supplement and not duplicate the conditions that would be identified by reject codes.

⁴ An IRS definition of "abuse" will be provided to Offerors who pass this RFA's evaluation process. The screening will begin with the commencement of ELF processing for TY 1999.

and on-line service providers when financial institution agreements have been made with the taxpayer.

Any firm who does not receive an Agreement for the 2000 filing season or who does not meet all of the mandatory eligibility requirements stated above may submit a proposal for the 2001 filing season in response to this RFA. The Offeror must:

- 1. Be approved by the IRS as an ERO and/or transmitter for the 2001 IRS *e-file* Program;
- 2. Have electronically transmitted at least 100 federal individual income tax returns during the 2000 filing season (tax year 1999) and achieved a reject rate of 15% or less by April 30, 2000;
- 3. Make a positive indication in the RAL indicator field only when the taxpayer has entered into an agreement with a financial institution;
- 4. Describe how the returns, on which a debt indicator was received, will be screened for abuse prior to being transmitted to the IRS; and
- 5. Agree to track and electronically report (by SSN) to the IRS on a weekly basis the potentially abusive federal individual income tax returns electronically filed and the reason(s) the return may be abusive.

2.0 AGREEMENT REQUIREMENTS

The IRS anticipates entering into agreements for the 2000 filing season (1999 tax year). Agreements for the 2000 filing season will be awarded for a maximum term of two years, i.e., one year with an option to extend for another year subject to mutual agreement. Offerors who propose only for the 2001 filing season may receive agreements for that year only. There are no restrictions on the number or frequency of proposals that may be submitted by any Offeror in response to this RFA.

Proposals shall clearly state the implementation milestones and associated time frames for the proposed solution, for both the Offeror and the IRS. If the IRS determines that a proposal cannot be accomplished in time for the proposed filing season, then the proposal will be rejected.

2.1 Project Plan

All proposals submitted in response to this RFA shall be submitted in the form of a project plan. The format for the project plan is as follows:

Introduction

- Briefly describe your understanding of the objective and scope of the proposed Agreement.
- State the filing seasons proposed (2000 with an option to extend for 2001 or 2001 only).
- Address the RFA's first two Mandatory Requirements (See Section 1.3) and provide evidence of your compliance.
- Describe your current tax preparation and/or electronic filing experience by either attaching descriptive literature or referring to the web site where your current activity and experience is described. Also identify the IRS Service Center currently receiving and accepting returns that you have electronically-filed. (Note: Service Centers for On-line filings are determined by the taxpayer's address.)
- Include your Electronic Transmitter Identification Number (ETIN), or a copy of your most recent letter of acceptance into the IRS *e-file* program.
- Include point of contact (POC) information (name, address, phone number, e-mail address and fax number) for discussion and negotiation of your proposal. The point of contact shall have decision making (commitment) authority for the Offeror.

Description of Solution and Proposed Agreement

- Include POC information (if different than above) for management of your performance of the agreement. Describe the POC's scope of authority and the resources available to the POC for ensuring the performance of the Agreement.
- Describe the attention that will be given to this project, the resources that you will allocate, and your plan for managing and implementing the Agreement.
- Describe the milestones and time frames associated with implementation including all deliverables. Clearly delineate the milestones and time frames associated with each participant, the Offeror and IRS.
- Describe in detail what the screens will be and how they will be used to screen the returns for abuse. Address how you will meet the RFA's last five Mandatory requirements (See Section 1.3).
- Describe the success factors and how they will be measured, e.g., total number of suspect returns identified to IRS, total number of filings by offeror, percentage and total volume of new filings because of the use of the DI compared to TY 1998 filings or TY 1999 filing, if applicable.
- Describe the value of the benefit offered, the Debt Indicator, in conjunction with electronic filing.

Return the Model ETA Agreement (Attachment 1 to this RFA) with any proposed additional content for negotiation, including dispute resolution and any remedies other than termination for the failure of either party to perform. Offerors should describe the respective duties and responsibilities of the IRS and the Participant in items 7 and 8 of the Model ETA Agreement.

2.2 Deliverables

The Industry Partner shall submit a project performance report. This report shall contain narrative describing accomplishments and any difficulties in performance of the Agreement, measurement of the success of the partners' identifying to the IRS the volume of returns reviewed for abuse and the volume of abusive returns actually identified. The project performance report shall be submitted on May 15 of each calendar year during the term of the Agreement to the IRS Point of Contact. This report shall be used as a means to determine whether the Offeror has met the requirements of the agreement. This report is subject to inspection, verification and approval by the IRS and will be used to determine whether any option to extend the Agreement is exercised.

3.0 DELIVERY OF PROPOSAL/PROJECT PLAN

Offerors shall submit proposals via electronic mail to Ms. Michelle Lane, Contracting Officer at "michelle.lane@ccmail.irs.gov." Offerors shall submit proposals in Microsoft Word 97 or lower version or WordPerfect 6.1 or lower version. We do not anticipate the need for proposals to be very large in size, so file compression is not necessarily required. Any Offeror who intends to compress the file must use WinZip 6.2 or less. **Proposals for the 2000 filing season shall be completely transmitted through electronic mail by 5:00 p.m. EDST July 30, 1999.** The IRS anticipates issuing agreements for the 2000 filing season between October 15, 1999 and October 31, 1999. Extraneous narratives elaborate brochures, uninformative Public Relations (PR) material and so forth will not be considered. Proposals must be sent by electronic mail. Any proposal that is delivered solely by other media will not be considered. Please note that our communication system delivers E-mail of up to 2MB in size between 6:00 a.m. and 6:00 p.m. Anything larger than 2MB up to 9MB (maximum size accepted) is delivered after 6:00 p.m. and before 6:00 a.m. **Proposals for the 2001 filing season shall be completely transmitted through electronic mail by 5:00 p.m. EDST July 28, 2000.**

4.0 EVALUATION PROCESS AND ASSESSMENT CRITERIA

The Offerors' proposals will be evaluated using a two-step process and the factors described below.

Step 1

The first step of the evaluation entails an assessment of the Project Plan to determine: (1) the Offeror's adherence to the scope of the RFA (see 1.2 above), (2) acceptability of the Offeror's response to the mandatory requirements (see 1.3 above); and (3) realism of the Offeror's proposal for accomplishment in time for the filing season(s) proposed. The IRS will make this determination on a pass/fail basis. Proposals within the scope of the RFA that include acceptable responses to the mandatory requirements and propose Agreements that are achievable in time for the proposed filing season(s) will pass and move to the next step.

Step 2

In the second step, the IRS will review the Project Plan and communicate to the Offeror uncertainties that are found in the proposal. Such communications will be for the purpose of removing the uncertainties. They will not be used to cure significant omissions in the proposal, materially alter the proposal, or otherwise elicit significant revisions to the proposal. Any proposals whose project plans contain significant omissions or ambiguities will no longer be considered. The IRS will evaluate proposals whose project plans are clear or whose uncertainties are minimal and have been removed using the evaluation factors below:

Are success factors and a success measurement methodology described and reasonable?

Does the Offeror promise appropriate management attention and resources?

Are duties, responsibilities, and milestones clearly stated for both the Offeror and the IRS? Are they achievable?

This evaluation will result in a pass/fail determination.

Concurrently, the Offeror's project plan will be reviewed by the IRS Criminal Investigation. This review will address fraud prevention and detection implications of the proposal. Also, the IRS will assess the proposal to assure the proposed agreement does not disrupt other planned IRS filing season activities. These reviews will be conducted on a pass/fail basis.

Attachment 1

MODEL
ELECTRONIC TAX ADMINISTRATION
MEMORANDUM OF AGREEMENT
BETWEEN THE INTERNAL REVENUE SERVICE AND
[INSERT PARTICIPANT'S NAME]

1. INTRODUCTION:

This Electronic Tax Administration ("ETA") Memorandum of Agreement ("Agreement") between the Internal Revenue Service ("IRS") and [insert name of company or organization] ("Participant") sets forth the complete agreement of the parties with regard to participation in the [insert name of project] for electronically filed individual (1040 series) federal income tax returns during the [insert year] filing season which covers the [insert year] tax year. The parties agree that, except as provided below, the participant will be treated as an Electronic Return Originator (ERO), On-line service, or a Transmitter as those terms are defined in Revenue Procedures 98-50 and 98-51. Also, except as provided below, the parties agree to comply with all relevant statutory, regulatory, and administrative requirements relating to the electronic filing program.

2. AUTHORITY:

(A) This Agreement is entered into pursuant to the authority vested in the Commissioner of the IRS by Treasury Order 150-10 to administer and enforce the internal revenue laws and revenue procedures for electronic filing.

(B) This Agreement is not an "acquisition" as that term is defined in the Federal Acquisition Regulation ("FAR") 2.101; therefore, the FAR does not apply to this Agreement .

3. BACKGROUND AND PURPOSE:

(A) This Agreement results from the evaluation and selection by the IRS of one or more proposals received in response to a solicitation or Request for Agreements ("RFA") for ETA Partnerships in the form of Non-Monetary Agreements.

(B) The purpose of this Agreement is to provide an indicator in the acknowledgement file that will identify any possible debt owed to either the IRS or FMS that could reduce or eliminate the taxpayer's refund to transmitters who can demonstrate that the returns they transmit to the IRS have been screened for abuse and fraud.

(C) The program that results from this Agreement will be considered a pilot under Section 18 of Revenue Procedure 98-50, dated September 21, 1998 (see Internal Revenue Bulletin 1998-38) and Section 15 of Revenue Procedure 98-51.

4. DEFINITIONS:

(A) "Days" as used herein means calendar days unless otherwise stated.

[OTHERS TO BE INCLUDED AS MUTUALLY AGREED]

5. APPLICABLE DOCUMENTS:

[TO BE INCLUDED AS MUTUALLY AGREED. IN THE EVENT THAT “OFFICIAL USE ONLY” INFORMATION OR TAXPAYER INFORMATION MUST BE PROVIDED BY THE IRS TO THE PARTICIPANT FOR PERFORMANCE OF THE AGREEMENT, THEN THE AGREEMENT WILL INCLUDE THE FOLLOWING IRS ACQUISITION PROCEDURE (IRSAP) CLAUSES, AS APPLICABLE: “DISCLOSURE OF INFORMATION – SAFEGUARDS;” “DISCLOSURE OF ‘OFFICIAL USE ONLY’ INFORMATION SAFEGUARDS;” “DISCLOSURE OF INFORMATION – CRIMINAL/CIVIL SANCTION;” AND “DISCLOSURE OF INFORMATION – OFFICIAL USE ONLY.”]

6. AUTHORIZED REPRESENTATIVES:

[CONTACT POINTS FOR EACH PARTY TO BE INCLUDED]

7. DUTIES AND RESPONSIBILITIES OF THE IRS:

[STATEMENT OF WORK (SOW) TYPE LAYOUT OF IRS’S COMMITMENTS TO BE INCLUDED]

8. DUTIES AND RESPONSIBILITIES OF THE PARTICIPANT:

[OFFEROR TO SPECIFY ITS TASKS IN CONDUCTING THE PILOT INCLUDING THE REQUIRED TASKS STATED IN “MANDATORY REQUIREMENTS” AND THE DELIVERY OF A PROJECT PERFORMANCE REPORT]

9. LIABILITY:

(A) Each party to this Agreement shall be liable for the acts and omissions of its own employees.

(B) The IRS shall not be liable for any injury to the Participant’s personnel or damage to the Participant’s property unless such injury or damage is due to negligence on the part of the Government and is recoverable under the Federal Tort Claims Act [28 U.S.C. 1346(b)], or pursuant to other statutory authority.

10. THIRD PARTY RIGHTS:

This Agreement does not alter, change, or eliminate any rights or responsibilities that taxpayers have under the Internal Revenue Code.

11. PERIOD OF PERFORMANCE AND TERMINATION:

(A) This Agreement shall be in effect from the date of signature for the IRS for a period ending with the IRS’s acceptance of the Participant’s Final Pilot Findings Report for the [insert year] filing season. **[IF THIS AGREEMENT IS FOR THE 2000 FILING SEASON, THEN IT SHALL HAVE AN OPTION TO EXTEND FOR THE 2001 FILING SEASON SUBJECT TO A MODIFICATION OF THE AGREEMENT.]**

(B) This Agreement may be terminated by either party upon 30 days after receipt of written notice signed by either of the signatories to this Agreement or by their successors or designees. The Participant understands that in the event the IRS terminates this Agreement, the Participant has no right to any claim against the Government, including a claim for termination costs.

12. MODIFICATION OF AGREEMENT:

This Agreement may be modified as a result of both parties reaching a mutual agreement. All modifications will be prepared by the IRS contracting officer and must be signed by both of the signatories to this Agreement or by their successors or designees.

13. INSPECTION RIGHTS:

(A) The IRS may inspect the work performed by the Participant upon reasonable notice to the Participant's Authorized Representative and in a manner that will not interfere with the Participant's performance of this Agreement. The Participant shall provide access for this purpose to the IRS's Authorized Representative(s) to the location where the work is being performed. The IRS shall also have the right to inspect the Participant's Report(s) of the work performed as a result of this Agreement. The IRS's Authorized Representative shall provide the results of any inspections to the Participant's Authorized Representative for any necessary resolution.

(B) The IRS may evaluate the Participant's performance of this Agreement and may provide the results of this evaluation to the Participant, in writing, for written comment and return to the IRS. The evaluation, including the Participant's comments, may be used by the IRS in considering the Participant for future Agreements or Contracts.

14. RELEASE OF INFORMATION

The Participant shall provide written notice to the IRS and obtain consent in advance of releasing any advertisements, press releases, marketing presentations, or related communications for the purpose of performing the pilot described in this Agreement. The text and purpose of the intended release shall be provided to the IRS Point-of- Contact for this Agreement.

15. LIMITATIONS:

The terms of this Agreement are not intended to alter, modify, or rescind any current Agreement or provision of Federal law now in effect. Any provision of this Agreement which conflicts with Federal law will be null and void.

16. DISPUTE RESOLUTION:

[THE CONTRACT DISPUTES ACT DOES NOT APPLY. UNDER 41 U.S.C. 605(d), IRS AND THE PARTICIPANT MAY AGREE TO ALTERNATIVE DISPUTE RESOLUTION OR OTHER MUTUALLY AGREEABLE PROCEDURES.]

17. SIGNATURES:

[TO BE SIGNED AND DATED WITH THE NAMES AND TITLES OF EACH SIGNATORY INSERTED.]